



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

March 1, 1999

MEMORANDUM FOR: Gary Bachula
Acting Under Secretary for Technology

FROM: Johnnie E. Frazier
Acting Inspector General

SUBJECT: *TA's FY 1998 Financial Statements*
Audit Report No. FSC-10872-9-0001

The attached audit report presents an unqualified opinion on the fiscal year 1998 financial statements for the Technology Administration (TA). The unqualified opinion is especially noteworthy considering the significant changes mandated by OMB Bulletin No. 97-01, which required the preparation of four new financial statements. Also provided are reports on TA's internal controls and compliance with laws and regulations, including management's comments. The accompanying overview and financial statements were prepared by TA management.

In accordance with the Chief Financial Officers (CFO) Act of 1990, as amended by the Government Management Reform Act of 1994, an audited financial statement must be prepared covering all accounts and associated activities of each office, bureau, and activity of the Department. The independent certified public accounting firm of PricewaterhouseCoopers, LLP (PwC) was contracted to audit TA's Balance Sheet and related Statements of Net Costs, Changes in Net Position, Budgetary Resources, and Financing for FY 1998. The Office of Inspector General defined the audit scope, selected the contractor, and oversaw the performance and delivery of the audit.

In the opinion of PwC, the financial statements present fairly, in all material respects, the financial position of TA as of September 30, 1998 and the net costs of its operations; changes in net position; budgetary resources; and reconciliation of net costs to obligations of TA for FY 1998, in conformity with the hierarchy of accounting principles and standards approved by the principals of the Federal Accounting Standards Advisory Board.

Financial statement audits are a key gauge for measuring the progress of a bureau in meeting the goals and objectives of the CFO Act. The results of the PwC audit indicate that TA and its provider of accounting services have been successful in establishing an internal control structure that facilitates the preparation of reliable accounting and financial information. The PwC FY 1998 report on internal controls identified no material weaknesses or reportable conditions.

Our office reviewed a draft version of the TA overview to its FY 1998 financial statements. The overview provides the linkage between the financial statements and the Government Performance and Results Act of 1993 (GPRA) that requires government entities to collect and

report information on their performance in meeting goals and objectives. TA incorporated many of our prior year suggestions to improve the clarity and conciseness of the overview.

We informally provided TA management with a memo containing our observations and recommendations on the draft overview. Management was responsive, and also indicated that TA plans to make additional revisions to strengthen the overviews for FY 1999 and beyond. The OIG realizes that improving the overview is an iterative process. We encourage TA to strengthen next year's discussion of actual results and to continue efforts to improve performance measurement and reporting.

If you wish to discuss the contents of this report, please contact George E. Ross, Assistant Inspector General for Auditing, on (202) 482-1934, or Thomas McCaughey, Director, Financial Statements Audits Division, on (703) 603-0301. We appreciate the cooperation and courtesies extended by TA during the audit.

Attachment

cc: Linda J. Bilmes
Acting Chief Financial Officer and
Assistant Secretary for Administration

Tom Gary
Deputy Chief Financial Officer
National Institute of Standards and Technology

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